STATE OF CALIFRNIA
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

Implementation of Renewables Portfolio Standard Legislation (Public Utilities Code Sections 381, 383.5, 399.11 through 399.15, and 445; [SB 1038, [SB 1078]	)))))	Docket No. 03-RPS-1078 RPS Proceeding Notice of Staff Workshop

COMMENTS OF VULCAN POWER COMPANY ON RPS PROCEEDING ISSUES: INCREMENTAL GEOTHERMAL AND OUT-OF-STATE POWER ELIGIBILITY

Respectfully Submitted By

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Vulcan Comments Address Three Primary Issues

- What Constitutes "Incremental Geothermal"?
- How does reinjection of (treated) water affect "incremental geothermal"
- Is out-of-state power eligible for the RPS?

Incremental Geothermal

- Entities claiming incremental geothermal must have made the capital investments that led to the incremental power.
- Only capital investments by such entities that increase geothermal field temperature or pressure or that increase the efficiency or capacity of a facility compared to 'as-built', constitute investments in incremental production. They cannot be a result of replacement of worn or deteriorating parts with new parts. (capital/depreciable and maintenance/expensable costs must be consistent with generally accepted accounting practice)
- The Energy Commission should not provide SEP funding to projects already having benefited from public funding.
- Investments in wastewater injection projects qualify for incremental production on a field basis, only above field output levels as of the effective date of SB 1078 (i.e. 1996). This incremental production applies to individual facilities on a pro rata basis based upon that facility apportionment of the field.
- Special category for a resource subset for least cost/best fit calculations consisting of not more than 150 MW "new incremental geothermal". Needed so that low-cost Geysers proven heat of 2,000 MW does not crowd out important new geothermal projects.
- Entities seeking CEC incremental geothermal certification should make public any data used to substantiate claim.
- Incremental geothermal guidelines apply to <u>both</u> vapor and liquid dominated geothermal resources.
- The determination of depletion trends should be based on as many years as possible. We suggest a period of 10 years. Further, the specific 10 year window must be selected to avoid years not indicative of resource depletion, such as might be due to market disruption, intervening legislation, etc. We therefore suggest using the period of 1986 to 1996, to determine the depletion trend.

Out-of-State Power Eligibility

- "Near the border of the state" should mean at least within the range of an existing renewable energy facility delivering clean power to California. One appropriate pathfinder project, supplying 55 MW to SCE for 14 years, is the Dixie Valley geothermal plant, located in Nevada ~ 125 miles east of the border. This 55 MW facility was used numerous times during the RPS legislative process to describe and define "near the border" type projects in Nevada.

- The Legislature has indicated that renewable energy projects out-of-state, providing clean energy to California, are in the best interest of California. It would have been incongruent to include out-of-state projects for SEP while not including them in RPS. We believe that any project that qualifies for SEP (with or without actual award) qualifies as a RPS eligible facility. Renewable energy projects located out-of-state, may qualify for RPS without being eligible for SEP.

- The Energy Commission has established policy precedent by funding a PDCI transmission line study (funded by PIER) that out-of-state renewable energy projects are beneficial to the state and ratepayers.

- Special cases not fully described in law which should be also be allowed by the rules include: (1) renewables selling into California across the PDCI line co-owned by California utilities and (2) deliveries from Oregon to C.O.B lines in Oregon owned by California utilities.

- The point of delivery within California should be used for quantifying amounts of renewable energy provided from out of state to California, to account for transmission losses.

- Projects either in-state or out-of-state must be able to show that the renewable energy they generate can be delivered to the purchasing utility through appropriate transmission arrangements. This process can be facilitated through ongoing CPUC renewables transmission constraint studies to benefit the grid and further SB 1078 and SB 970 objectives.